

22nd February 1955]

SRI V. CHAKKARAI CHETTY :—" Thanks."

SRI A. GAJAPATHY NAYAGAR :—" Are the Government aware that there are more fish in the Bhavani river than ever came out of it? "

THE HON. SRI M. BHAKTAVATSALAM :—" Perhaps it is so and Government are trying to exploit them."

Tube wells in the South Arcot district.

* 178 Q.—SRI M. ETHIRAJULU : Will the Hon. the Minister for Agriculture be pleased to state—

(a) the number of tube wells sunk so far in the South Arcot district;

(b) whether the Government have any proposal to sink any more tube wells; and

(c) the cost of the tube wells sunk so far?

THE HON. SRI M. BHAKTAVATSALAM :—" (a) One.

" (b) The Government are considering a proposal for the sinking of one experimental tube well in Chingleput district.

" (c) Roughly Rs. 27,000."

[Note.—An asterisk (*) at the commencement of a speech indicates revision by the Member.]

II.—MESSAGE FROM THE ASSEMBLY.

MR. CHAIRMAN :—" I have to announce to the House that I have received the following message, dated the 21st February 1955, from the Hon. the Speaker, Madras Legislative Assembly :—

' In accordance with rule 114 of the Madras Assembly Rules, I transmit a copy of the Madras Plantations Agricultural Income-Tax Bill, 1954 (L.A. Bill No. 30 of 1954), as passed by the Assembly, on the 21st February 1955 and signed by me for the recommendations of the Council.

2. I certify that this is a Money Bill within the meaning of Article 199 of the Constitution of India. "

III.—GOVERNMENT BILL.

THE MADRAS PLANTATIONS AGRICULTURAL INCOME-TAX BILL, 1954
(L.A. BILL NO. 30 OF 1954).

THE HON. SRI M. A. MANICKAVELU NAICKER :—" Sir,
I move—

' That the Madras Plantations Agricultural Income-Tax Bill, 1954 (L.A. Bill No. 30 of 1954), as passed by the Assembly, be taken into consideration.'

" In doing so I would like to point out to this House that the system of levy of land tax in this State has been subjected to the criticism that the burden of tax is not distributed equitably among the different classes of landowners and it is also generally accepted

[Sri M. A. Manickavelu Naicker] [22nd February 1954]

that the levy of tax on agricultural income is a progressive and equitable method of taxation. Hon. Members know that there is at present no tax on agricultural income in this State. The question of levying a tax on agricultural income has been under the consideration of the Government for a considerable time even as long ago as 1943. The levy of the tax has been postponed from time to time for some reason or other. The Land Revenue Reforms Committee, constituted to advise the Government on land revenue reforms and land tenure reforms, recommended, among other reforms, the levy of an agricultural income-tax over and above the land revenue assessment, the levy being applied in the first instance to plantation areas and extended gradually to other areas when there is a general progress in the standard of education of farmers. The Government have examined the recommendation of the Land Revenue Reforms Committee and in view of the many difficulties that will have to be faced by the farmers if the agricultural income-tax is to be levied on all agricultural produce, the Government decided to levy, in the first instance, the tax on plantations. To secure this result and to obtain an addition to the revenue in the State, the Government decided to levy with effect from 1st April 1955, a tax on agricultural income from coffee, tea, rubber, cinchona and cardamom plantations and drafted a Bill accordingly.

“ The Madras Plantations Agricultural Income Tax Bill, 1954, was introduced in the Assembly on 9th August 1954 and was referred to a Select Committee. The Select Committee subjected the provisions of the Bill to a very careful scrutiny. The Bill as amended by the Select Committee was passed by the Legislative Assembly without any major changes. The salient features of the Bill are as follows :—

‘ The tax will be levied on every person whose total agricultural income is not less than Rs. 3,000 and in the case of every Hindu undivided family or an Aliyasanthana family or branch, or a Marumakkattayam tarwad or tavazhi including a Nambudiri family, not less than Rs. 6,000. The scale of levy ranges from 9 pies to 5 annas 6 pies in the rupee. Persons who will be liable for the levy of the tax will not have to pay income-tax on the first Rs. 1,500 of their agricultural income. The companies will however have to pay a tax at 5 annas and 6 pies per rupee on their total agricultural income.

“ As it would cause great hardship if the thousands of small owners cultivating small extents of plantations are required to maintain accounts, planters owning not more than 5 acres in extent if used for growing tea or not more than 15 acres in extent if used for growing any other crop have been completely exempted from the payment of the agricultural income-tax. Persons owning not more than 20 acres in the case of tea and not more than 60 acres in the case of other crops have been given the option to compound the agricultural income-tax at the concessional rates specified in Part II of the Schedule.

22nd February 1955] [Sri M. A. Manickavelu Naicker]

' Liberal concessions have been allowed in the matter of computing the agricultural income such as by allowing deduction for replanting expenses, interest on amounts borrowed for current expenditure subject to certain limits, bonus paid to workers, cultivation expenses, amount paid as land revenue or rent by landlord, expenses incurred for the maintenance of protective works for the benefit of the plantations, the sum written off for depreciation of machinery, buildings, etc., the expenditure incurred on the purchase or replacement of cattle, implements, etc., and any insurance premium paid against damage or loss of crop.

' The assesses under the Madras Land Revenue (Surcharge) Act, 1954, need not pay surcharge on land revenue assessments in respect of plantations owned by them. The procedure for the assessment and collection of the tax follows mainly the provisions of the Indian Income-tax Act and the Travancore-Cochin Agricultural Income-tax Act. The authorities who will exercise powers and functions under this Act will also correspond to those in the Acts mentioned above. Provision has been made for filing revision petitions to the High Court as in the case of the General Sales Tax Act.' "

MR. CHAIRMAN :—" Motion moved—

' That the Madras Plantations Agricultural Income-tax Bill, 1954 (L.A. Bill No. 30 of 1954), as passed by the Assembly, be taken into consideration.' "

* DR. V. K. JOHN :—" Mr. Chairman, Sir, I must pay a compliment to the Select Committee for the labour it undertook and also to the accommodating spirit of the Government because the Bill as introduced in the Assembly after it has gone through the Select Committee is different in many respects from the original Bill drafted by Government. It is not very often that the Government show such accommodating spirit and allow changes to be made in the Bill. Particularly, among the many changes made in the Bill, I find that super-tax has been given up and that there is no income-tax on dividend. Some more deductions have been allowed in the computation of income. I find one new thing has been introduced, namely, advance tax. The Government pay two per cent interest to a person who pays the advance tax when he has himself to borrow at many times that two per cent from the bank to carry on his business. Having complimented the Select Committee and the Government, I should say that it would have been much better if a Joint Select Committee of both the Houses had been constituted. I do not find anything in our rules prohibiting the constitution of Joint Select Committees even in the case of Money Bills. I find the Government are neglecting this House by constituting only a Select Committee of the Assembly. In the Joint Select Committee, the majority of Members will be from the Assembly, and then again Members belonging to the Congress Party will be in the majority. I think the Government would do well to

3-30
p.m.

[Dr. V. K. John]

[22nd February 1955]

constitute Joint Select Committees on all important matters and particularly on a most important matter like the Plantations Agricultural Income-tax Bill. Somehow the Government did not think of getting the assistance from the Members of this House. They could have selected Members belonging to the Congress Party alone. Even then some assistance would have been given to them. Therefore, I request the Government to consider hereafter the question of associating the Members of this House in Select Committees on important Bills. (The Hon. Sri C. Subramaniam : 'Unofficially?') It is a Joint Select Committee I say. The constitution of a Joint Select Committee even on Money Bills is not against our rules at all.

"Sir, the question now for consideration is whether we should have this Bill passed into law and again whether it should be passed in the form in which it has been passed by the Assembly. Before proceeding into the pros and cons of the Bill, I should like to place certain facts before this House. We have 83,509 acres under tea and these are owned by 2,792 persons. We have 99,770 acres under coffee owned by 15,232 persons. This shows that coffee estates are owned by small men and not big persons. We have 32,337 acres under rubber owned by 341 men. One important fact to remember about the plantation industry is that it is an industry started about a hundred years ago. There are persons who want to expropriate or discriminate against European planters. If any European did any service to this country in the field of industry, it is the plantation industry. In other cases he has stood against us. The Europeans discouraged other industries so that their goods might be sold. In the case of the plantation industry, they did not do so. The plantation industry would not be occupying the position that it does now but for the fact that many pioneers—many adventurers—came and underwent all trouble and suffering in the cause of the industry. They invested their money on land and cultivated the land. Sir, the economic life of the tea plant, we have to remember, is fifty to sixty years. In the case of rubber and coffee it is about 40 years. Now almost all trees in our State are overaged, and replantation is, therefore, very necessary. We have reached a stage when the produce is becoming less and less every year for two reasons, namely, (1) no replantation and (2) no scientific methods being employed as in other countries. What we want therefore is the reinvigoration of the area, which is now under cultivation. The second fact that we must note about the plantation industry is that the area under plantation must be expanded. There are hundreds of thousands of acres on the hillsides in our State which can be usefully cultivated (they are fit for cultivation). Tea, rubber, coffee, cardamom, and other produce can be grown. There is an international agreement regarding the acreage under tea. We are allowed to grow tea only on 19,050 acres. But we are not growing tea on such a large number of acres. We have grown tea only on 50 per cent of the acreage allowed under the international agreement. As regards rubber, there has hardly been any expansion. After 1946 there has been no expansion at all. In

22nd February 1955]

[Dr. V. K. John]

the case of coffee, there has been no expansion after 1952. The second fact which the Government and the public have to keep in view is that there is great necessity for expanding the cultivation of tea, rubber, coffee, and other produce. One other factor to remember is that plantations employ a much larger number of men than any other industry in this country. It is said that oil refineries in Bombay costing Rs. 43 crores engage only less than 10,000 persons. On the other hand if we invest Rs. 43 crores on plantations, we can employ two lakhs and fifteen thousand workers. Actually we are employing in this industry 4 lakhs of persons. That is why the Plantation Act of 1951 provides for amenities of all sorts including housing, schools, recreation facilities, etc., to plantation labour. The next factor to remember is that the Government of India levy an income-tax of 40 per cent on the income of tea estates, and that there is the excise duty for local consumption at four annas per pound. There is the export duty of four annas per pound and the Madras Government also impose a levy of one and a half annas in the rupee on the turnover. There is the land tax in addition of about Rs. 2-4-0 per acre. Another factor to remember in this connection is that the Government of India being very much interested in the development of the plantation industry have appointed a Commission to enquire into the economic structure of this industry and that Commission has not yet submitted its report. We have the Taxation Enquiry Commission report, which is not yet published. Sir, there is a popular idea that plantations give very large dividends. I have figures with me taken from authoritative quarters, and I find that from 1920-1930, the dividend was 10 per cent, from 1930-1940, the dividend was 5.4 per cent, and from 1940-50, the dividend was 9.5 per cent. The question is whether we must introduce this Bill at all now. I am not on the form in which it is introduced. Should we have introduced the Plantations Agricultural Income-tax Bill at all, is the question. I agree on principle that a tax on income is very much better and must be welcome. It is very much better than the regressive measures of taxation such as sales tax and other taxes. It is much better to have a tax on income, because only if a man makes an income, he is liable to pay tax. Now that the industry is going through a crisis. . . ."

THE HON. SRI C. SUBRAMANIAM :—" Which industry? "

* DR. V. K. JOHN :—" This plantation industry. The trees are overaged and the area under plantations require replantation. The soil is exhausted, and it also requires replenishment and renovation. When we want more plantations, a great burden is now being placed on the industry. (Interruption.) Perhaps the Hon. the Minister for Finance did not listen to me. As I said, since 1946 there has been no increase in the plantation area so far as rubber industry is concerned. From 1952, there has been no increase in the plantation area of coffee. In the case of tea, there is an international agreement in regard to the acreage we can plant. But, we have not planted 50 per cent of the area under

[Dr. V. K. John]

[22nd February 1955]

that international agreement. Also, we have tens of thousands of acres of land fit for cultivation of tea, rubber and coffee. That is why I have said that the industry is in a difficult situation. People would have put money into the industry and would have expanded it but for the fact that the industry as such is not thriving. Personally, I should have felt that it would have been better had we waited for the publication of the report of the Commission appointed by the Government of India to enquire into the financial and economic structure of the plantation industry. We could have also awaited the report of the Taxation Enquiry Commission. This is the budget time both for the Central Government and other State Governments. It is strange indeed that the report of the Taxation Enquiry Commission has not yet been published. I would have preferred to await these reports.

But, now that the Bill has been introduced and has also been passed by the Assembly, the only question for us to consider here at the present moment is whether we should have it in the form in which it has been passed by the Assembly or whether some changes are to be made. I know that no amendment in this House will pass through. No recommendation can be made by this House and even if a recommendation is made and sent to the other House, it will not be accepted. That has become the practice. So, anything we may say now will be only for the purpose of being useful for the future guidance of the Ministry. If they find that we have made some constructive criticism here, they may adopt our suggestions at a later date. For instance, for years I have been pressing for the levy of betterment contribution. As a result of repeated suggestions made in this regard by persons like me, the Government came forward only recently with a Bill to levy betterment contribution. Thus, the Ministry accepted the suggestion which we have been making repeatedly in the past. In the same way, the Government may consider the suggestions that we make with regard to this Bill also, and though they may not be able to accept them now, they may accept them at a future date after appreciating the soundness of our suggestions. In this spirit only, I wish to make certain criticisms.

“ Sir, one fundamental principle of taxation is that it should not adversely affect the purchasing power of the people. If only we look at the address of the President of the United States of America to the Congress, we shall find that he has emphasised the one ambition of the Government, viz., that the purchasing power of the people which is at present 300 billion dollars must develop in a few years to 500 billion dollars. One cannot emphasise too much that the purchasing power must be raised. Only if we raise the purchasing power of the people, there can be business. Without raising the purchasing power of the people, there will be no meaning in raising production. If people do not have the purchasing capacity, business will come to a standstill. To-day, the purchasing power of the people is at a very low ebb. So, business is affected, production is affected and everything

22nd February 1955]

[Dr. V. K. John]

connected therewith is affected. To-day the Government are considering the question of exporting certain quantities of rice to other places. The Government do not ask the question, 'What is the reason for the paddy produced in this State not being purchased by the people of the State?' The prices are now coming down. There are not sufficient persons here in this State itself to purchase the foodgrains produced here. Why? Because, the purchasing power of the people of this State has gone down. Have the Government made an enquiry as to whether every person in this State has a square meal a day? Is the production of this State sufficient to feed the entire population? It is not. Millions of people are starving and they are not able to purchase the necessary foodgrains. It may look very well for the Government to consider a certain quantity of rice as excess and arrange to export the same to other places. Sir, any taxation measure that the Government may contemplate should not adversely affect the purchasing power of the people. Again, according to the theory propounded by Kayee, the well-known economist, which has found a very wide acceptance, the economic strength of a country depends upon spending on consumption and on investment. If only more and more money is spent on consumption and more and more money is invested on industries without being hoarded, there will be economic stability in the country and there will be all-round prosperity also. Applying this principle, the Government should have introduced a taxation measure which should give great encouragement to greater investment on the plantation industry. If only the Government had told that this tax would be levied on the income of the planter concerned after deducting therefrom amounts spent on expansion of the industry, improvement of the land and replantation, then people would have spent more money on rehabilitation of the existing area and expansion of the industry. Now, the Government have provided for a small deduction of $2\frac{1}{2}$ per cent in this regard. If only the Government had said that they would give full deduction for every rupee spent on expansion and every rupee spent on improvement and replanting, then people would have invested larger sums of money on these expansion activities. The Government must come forward to encourage such expansion activities. Now, in computing the income, the Government do not take note of this fact. The Government take the entire income into account for the purpose of levying this tax without providing for substantial deduction for expansion of the industry, for bringing additional extents of lands under cultivation, and also for improving the existing area under cultivation. I think the Government have made very serious mistakes in regard to this matter.

" There is another mistake which the Government have made. Although they have given up super-tax and put $5\frac{1}{2}$ annas as the ceiling figure of taxation, actually it is only an eye-wash. Because, the Government have not introduced a provision which is found in the Indian Income-tax Act. According to this, if a company pays income-tax on behalf of the shareholders and if the

[Dr. V. K. John]

[22nd February 1955]

3-50
P.m.

shareholders' income does not exceed the taxable limit, refund will be made to the shareholders. This has been made clear in section 48 of the Indian Income-tax Act. My complaint is that the principle of the Indian Income-tax Act has not been followed here. Take the case of a company having 10,000 shareholders carrying on business. When income-tax is paid by this company, it is deemed to be paid on behalf of the shareholders and as I said there is a provision for refund. It is nowhere stated in the Bill that the dividend paid to a shareholder is an item of deduction."

SRI K. BHASHYAM :—" The dividend paid is deducted from the profits for computing the income-tax."

* **DR. V. K. JOHN** :—" It is strange. Is it after making payments of the dividend that you come to the income for taxation? I am surprised that a leading lawyer like Mr. K. Bhashyam should speak without knowing what the Indian Income-tax Act says on the point I am making. There is a provision in the Indian Income-tax Act—I mean section 48—which says that the person who gets a dividend can claim a refund of the income-tax paid on it by the firm, if his income does not exceed the taxable limit. Suppose a widow has put some money into a firm in the shape of shares and suppose also she gets a dividend of Rs. 1,000. It means the company has already paid the income-tax on that amount, say to the extent of Rs. 200. If she applies for a refund of this amount, she gets it back if that is her only income or if her total income does not go beyond the taxable limit. If ten thousand persons joined together and created a company, is it equitable to take away from that company any money without regard to the financial condition of the shareholders? Sir, this is a very serious omission which the Government have made in drafting this Bill. In imposing an income-tax on plantations, the Government must closely follow the principles embodied in the Indian Income-tax Act. There is the quintessence of wisdom

* **SRI K. BHASHYAM** :—" I would like to refer my friend to clause 10 of the Bill which says—

'Agricultural income-tax shall not be payable on that part of the total agricultural income of a person which is—

(a)

(b) any dividend which he receives as a shareholder out of the agricultural income of a company,'

So, dividend is not taxed at all."

* **DR. V. K. JOHN** :—" There is no tax on dividend. I am not saying anything about tax on dividend. I am referring to a provision in the Indian Income-tax Act enabling a person who has got a dividend on which the firm has already paid the tax, to apply for a refund on the ground that he has not got taxable income. This is a very important provision and the Government have made the mistake of omitting this in this Bill."

THE HON. SRI C. SUBRAMANIAM :—" We have deliberately done it."

22nd February 1955]

* DR. V. K. JOHN :—" Whether it is agricultural income-tax or any other income-tax, the principles embodied in the Indian Income-tax Act should be fully embodied in the Bill."

THE HON. SRI C. SUBRAMANIAM :—" Can we have the same scale of 14½ annas here also? "

* DR. V. K. JOHN :—" This 5½ annas is a mere eye-wash. What happens under the Central Act is, if the Government take two lakhs of rupees from a company, nearly a sum of Rs. 1,50,000 is returned or refunded. The Government get only Rs. 50,000 from the firm. Now, under this Bill, the Government are putting a heavy burden on the poor people. They are imposing a tax on a person getting less than Rs. 3,000. A man getting below Rs. 100 is sought to be taxed. Under the Indian Income-tax Act, a man receiving a dividend which is below the taxable limit can ask for a refund of the tax paid by the company because under section 49 (b), any tax paid by a company is tax paid on behalf of the shareholder. The shareholder can put in an application for refund in Form 36 and get the money back. Perhaps more than half the money paid by various firms in India to the Government by way of income-tax is returned to the shareholder as refund. If a person gets a dividend of hundred rupees, he has to bear now that portion of the tax on every hundred rupees which may be even fifty rupees. So, this 5½ annas will weigh heavily on the poor common man."

THE HON. SRI C. SUBRAMANIAM :—" What about the Corporation tax which the companies now pay? "

* DR. V. K. JOHN :—" What is the idea in not adopting the provisions of sections 48 and 49 (b) of the Indian Income-tax Act here, when they are embodied in the Travancore-Cochin Act, especially when the Government say that they have adopted the Travancore-Cochin Act, word for word, even with the same grammatical mistakes? I have pointed out some of these mistakes also. We have now got income-tax on agricultural land in West Bengal, in Assam, in Travancore-Cochin and in Coorg. Section 48 of the Indian Income-tax Act is embodied in the Travancore-Cochin Act and we have not done it in our Bill. Why? I know that the Government feel, once they give refund to the poor shareholders, perhaps much money will not come out of this measure. If a thousand people join and start a company, are they to pay tax on the whole income . . . ? "

* SRI K. BHASHYAM :—" My friend is labouring a point which really is not there."

DR. V. K. JOHN :—" You may explain it later in your speech. You may take a little time to study the Indian Income-tax Act before you speak on this Bill."

[22nd February 1955]

* SRI K. BHASHYAM :—“ I am afraid, Sir, this is not the place for us to indulge in studying our comparative merits. This is a Bill relating to agricultural income-tax. Let us talk about it and not about persons.”

* DR. V. K. JOHN :—“ The hon. Member, Mr. Bhashyam, interrupts me to say that the provision is there, and here is the Hon. the Finance Minister who says, ‘ We have deliberately omitted it ’. I do not want to say anything more on this. All that I want is, when the Indian Income-tax Act contains a provision to enable persons who are shareholders to obtain a refund of the tax under certain conditions, and when the Travancore-Cochin Act also has a similar provision, we also should have it here. You say the taxable limit is Rs. 3,000. How can this provision work, when you do not allow refund to those whose taxable income is less than Rs. 3,000 but who have already been subjected to this tax? Section 49 (b) says that the income-tax paid by a company is paid on behalf of the shareholders. That is a principle accepted by all civilised countries of the world. The Hon. the Finance Minister says he has deliberately ignored this principle. Probably he feels, once they start refunding the money, they will lose much of the anticipated income. No good fixing a limit of Rs. 3,000, whereas the limit for every individual under the Indian Income-tax Act is Rs. 4,200. I do not know why that limit of Rs. 4,200 prescribed in the Indian Income-tax Act has been reduced to Rs. 3,000. Speaking from a practical point of view, by this tax every shareholder in a company is taxed and the tax is not refunded to him, whereas the refund is there in the Indian Income-tax Act. This is a very serious mistake. One of the cardinal principles which you should follow in any measure of taxation is that it must be levied on those who can bear it. The poor man who gets a dividend from a plantation company wherein he is a shareholder and who has no other income than the little portion that he gets as his dividend, is now taxed. He is not exempted. All shareholders are subject to this tax. Everybody is taxed. That is why I say it is against the principle adopted in the Indian Income-tax Act and also the principle adopted in a number of other States which have introduced this tax in their agricultural plantations. When each and every shareholder is taxed, what is the meaning of fixing the limit of Rs. 3,000? I say it is only an ‘ eyewash ’. Whereas it is said that no agricultural income-tax shall be payable on a total agricultural income which is less than Rs. 3,000, in the last proviso to Part I of the Schedule it is said that in the case of every company, agricultural income-tax shall be charged at the maximum rate on the whole of the agricultural income. That means every shareholder is thus subject to tax on the dividend he receives. That is why I say, this fixing of Rs. 3,000 is only an ‘ eyewash ’.

“ As I said earlier every company and every planter will certainly pay a good deal of his money for the purpose of renovation and expansion. But you do not give any allowance for renovation

22nd February 1955] [Dr. V. K. John]

and expansion. You do not deduct the expenses incurred on account of renovation and expansion from his total income and then ask him to pay agricultural income-tax. The shareholder who has to find the money for paying the tax, must also find the money for expansion and renovation, as well. When you tax him for on dividend he gets, is it not just and proper that due allowances should be made for renovation and expansion? The shareholder's portion must go for expansion as well. Is it not the duty of Government, especially now when we are in urgent need of renovation and expansion because of the trees having become old, to come to the rescue of these planters? Is it not their duty to deduct from the total income of the planters the cost of renovation and expansion, and then only tax them? But they have not done so. The present Bill does not deduct the cost of renovation and expansion. When such is the case, this tax will act as a detriment to the renovation of existing areas and their expansion, which expansion would really help the Government in future by giving them some more income.

“What you should and ought to have done is to have said that *only* those persons who do *not* renovate and expand their existing areas, will be taxed and that all those persons who renovated and expanded would not be taxed. But you don't do that. You do not give any allowance for renovation and expansion. Deduction from the total income for renovation and expansion is not made. When such is the case, the cost of renovation and expansion by a plantation company has got to be borne by the shareholders. Then the shareholder will get hardly any dividend. What will be the logical conclusion if the Bill in its present form is passed? Nobody would be induced to invest anything on plantation. They will neither renovate nor expand. These people get 5 per cent or 6 per cent or 9 per cent by way of dividend. May be their shares might have gone up. At the present time a Rs. 100 share might have gone up to Rs. 200. But when the present Bill is passed, the value of the share might get reduced to Rs. 50 and there will be no dividend at all. People will lose the value of their shares, their capital, and production will decrease. So the Government must consider that this should not be a measure of taxation which will lead to the detriment of production but help production. You should not say 'whatever money one might put in plantation, whether it is for renovation nor expansion, we will tax them.' (The Hon. Sri C. Subramaniam: 'Is such concession given under the Indian Income-tax Act?') I shall come to that. There are not 50 year-old trees which have got to be replanted under the Indian Income-tax Act. If the trees were planted last year, you will have to wait for 10 years in the case of rubber for the yield. It is not also clearly said how much the Government are going to get by way of this tax. I quite agree that Government must have some source of revenue. Income-tax is perhaps the most equitable source of revenue. But that income-tax should not be levied in such a way as to be a detriment to production. You have fixed the maximum rate of 5½ annas in the rupee. You might have started with a

[Dr. V. K. John] [22nd February 1955]

smaller rate and then slowly, after the Act is worked for several years, increased the rate. You might have started with a rate of one anna in the rupee. When the Indian Income-tax Act was first introduced, the tax was for a small amount and slowly it was increased in succeeding years. Instead of fixing the maximum rate of $5\frac{1}{2}$ annas in the rupee, you could have fixed the rate of one anna on all agricultural land. By that you could have realised the same amount which you, now, think of collecting by fixing the maximum rate of $5\frac{1}{2}$ annas in the rupee, on agricultural plantations alone. The reason given for not applying this income-tax on agricultural lands other than plantations, was that the ordinary agriculturists do not know how to keep accounts. Hereafter the agriculturist will learn to keep accounts. That is what is now hoped. I ask wherefrom this Government got the idea to levy this income-tax on plantations alone? You say this Bill is similar to the one they have in Travancore-Cochin State. But there in Travancore-Cochin, the agricultural income-tax is not on plantations alone but on all agricultural land. Take similar Acts in West Bengal and Assam. It extends to all agricultural land. When the agriculturists in those States could keep accounts, surely our agriculturists also could keep correct accounts. If you have started with the one anna rate and levied it on all agricultural land, you could have got the same amount which you now think you can collect by the present method of collection. Even though the Select Committee has made some improvements, I do not know why they have not considered this question.

“ You have not done many things. If you mortgage any property for the purpose of raising some money, interest for the amount borrowed is not taken into account. You must make allowance for the interest. There are so many things you have not done. I would like to make three big criticisms. One is that you ought to have exempted all moneys spent on expansion and renovation. Secondly you ought not to have taxed the poor man. Thirdly you could have brought all the agricultural land into the scope of the Bill and reduced the rate to one anna or $1/10$ th of the present maximum rate prescribed. But here you have chosen only one industry, the plantation industry, which earns you dollars. That industry has been very useful in earning us dollars and that industry has been unopened for many years and has not been taxed so far. That industry which employs as many as 4 lakhs of labourers should be given the incentive to increase its earnings. Instead of encouraging that industry and without waiting for the report of the Taxation Enquiry Commission . . . ”

4-10
p.m.

THE HON. SRI C. SUBRAMANIAM :—“ Sir, does it require so much of repetition by the hon. Member? ”

DR. V. K. JOHN :—“ I am only summarising, Sir.”

THE HON. SRI C. SUBRAMANIAM :—“ There is so much repetition, Sir,”

22nd February 1955]

DR. V. K. JOHN :—" I am glad that the Hon. the Finance Minister has followed the points which I have been urging."

MR. CHAIRMAN :—" The hon. Member has taken forty minutes."

DR. V. K. JOHN :—" In my opinion, Sir, this Bill ought not have been introduced. At any rate it should not have been introduced in the form in which it is introduced."

* SRI K. BALASUBRAMANYA AYYAR :—" Sir, I do not want to cover the same ground that has been covered by Dr. John. I want to refer to one point only not in connexion with this Bill alone but with all Bills that are introduced here. Rule 125 of the Council Rules states: 'At any time after copies have been laid on the table, in the case of a Government Bill, any Minister and in any other case, any member may give notice of his intention to move that Bill be taken into consideration.' Rule 126 says—

' Unless the Chairman otherwise directs, no such motion shall be set down in the list of business for any day which is less than three days from the date of receipt of the notice.'

I take it that the Hon. Chairman would have 'otherwise directed' in this matter. But this seems to have become the order of the day. Up till now I have not had occasion to see that this rule requiring notice has been observed. I am saying this, Sir, with a certain amount of responsibility. No motion has been set down in the list of business three days after the receipt of message from the Assembly that the Bill in question has been passed. This Bill is a very complicated Bill involving accounting. Members of this House require time to study this Bill. The time given to us to understand this Bill is insufficient. But the Government may say 'We supplied copies of the Bill to Members long before'. It is not sufficient if copies of the Bill are in our hands. We must know the changes made by the Select Committee and the amendments made by the Assembly. These amendments have got to be taken into consideration. Then only we may understand the Bill properly. My submission to you, Sir, is that you will please allow us the usual notice period and not ordinarily waive notice. Of course if there is urgent necessity for it, I do not object. In other cases, I hope the Hon. Chairman will insist on the three days' notice period. This is my humble submission to the Chair.

" So far as this Bill is concerned, I may say, Sir, that any taxation measure is unpopular. I am not proceeding to discuss this measure on that basis. But I propose to speak on the general principle underlying taxation measures. I am not a planter, nor am I interested in plantations. I am not, therefore, arguing for any vested interest. But I am talking on the general principle to be followed in all measures like the present one. I want to test this particular Bill upon that principle. After the Second Five-Year Plan, equal importance is attached to the private sector also.

[Sri K. Balasubrahmanya Ayyar] [22nd February 1955]

That has been made clear in the speech of the Prime Minister when he moved the resolution on the establishment of a socialistic pattern of society. The plantation industries deal with tea, coffee, rubber, cinchona and cardamom. These five crops are some of the most important things for our country. They are also exported to foreign countries. They depend largely for their success on the prices they get in the foreign markets. These commodities are for internal consumption and also for export. The Government have always had strict control over the whole business. So far as coffee is concerned, there is the Coffee Board and Coffee Pool. Prices are fixed by the Government as also the quantities of coffee that should be exported and retained for internal consumption. All these things are entirely in the hands of the Government. The whole policy is dictated by the Government. So the planter has no special initiative of his own in all these matters. He has to depend entirely upon the foreign policy of the Government and upon the competition in prices all over the world. The Hon. the Finance Minister said that there was no crisis now. I am not saying that the industry is in any crisis. But some of the planters, I may say, have given their minutes of dissent. They have said that in the year 1952 they went through a very difficult period on account of depression. Tons of coffee were detained in the country without being exported. The stock deteriorated, and the value of the produce finally realized in the market was very low. Coffee also underwent a difficult time during 1952, and thereafter slowly recovered. Tea and rubber industries are not progressing as well as they should. These are some of the factors that we have to take into consideration. We should see whether that taxation measure will affect the industry. That is one of the chief considerations. We should see whether the measure will be a drag on efficiency or will impose a penalty on success or be a discouragement to the expansion of the industry. It should not be a drag on efficiency and it should not also be a penalty on success. In the private sector the Government have not done anything so far as the plantations are concerned. Some of these planters went through the various parts of the country and established their companies. Some are foreign companies. Though we may say that the foreign companies are taking very large profits out of this country, still many of these commercial crops are not cultivated by Indian companies. The industries are now very largely in Indian hands and the Government did not . . . (Interruption.) My impression is that some of the Indian companies have purchased the plantations from the foreign companies and that they have taken up the cultivation of these crops. It was asked by some Members 'Why the foreign companies should not pay this tax when they are taking out large profits from this country?' That may be one reason, but still what I want to say is that this is an industry which has to expand and improve. It is an industry that requires the support of our people. The fact is that in many of these industries, people have got a large number of shares. They are depending upon the value of their shares and on the

22nd February 1955] [Sri K. Balasubramanya Ayyar]

dividends which those shares would give them. When this tax is levied on the industry, it will have a prejudicial effect on the dividend and also on the value of the shares. Judged from that point of view, we will see that there is the danger of the shares going down in value. Thereby property rights of these shareholders will be affected. Dividend on their shares also will go down. If the company is still able to pay dividend, after meeting this tax, it is all right. But if it is not able to pay, then the dividend will be seriously affected. There is the further fact that most of the plantations are already heavily taxed. So far as tea is concerned it is heavily taxed. There is the excise duty and various other duties and cesses. There are the municipal taxes. There is also the land revenue. We must take into consideration all these factors. I welcome the Government's move in not imposing a super tax, and also in limiting the tax to $5\frac{1}{2}$ annas in the rupee. If there was also super tax, it would have been still more difficult. At any rate, the whole taxation policy of the various States and the Centre is being examined by the Taxation Enquiry Commission. I am sure they would also have gone into the question as to whether agricultural income-tax should be levied on plantations and that too immediately. We do not have a full report of that Commission. Possibly, the Government may have a copy of the report or may have some information in this regard. But, we do not have the full picture before us at the present time. That is why I say that it will be much better to take this Bill into consideration after we have a full picture of the recommendations made by the Commission, and after the Government of this State also had completely considered all aspects of the report. I would also like to point out that the Government of India have appointed a Committee for the purpose of enquiring into the condition of the plantations and the report of that Committee will also be very valuable to us in considering the measure which is before us. After the receipt and consideration of the reports of these two Committees, the Government will do well to come forward with a suitable and comprehensive measure. Sir, my point is that this measure will have a deterrent effect on the general expansion of the industry especially when the prices are so fluctuating and when the prosperity of the industry depends on various factors such as foreign market, etc. Moreover, the policy of the Government to control the industry will have a damping effect upon private initiative. The plantation industry depends much on private initiative. Many of our people, I mean many belonging to the middle classes, are also shareholders. When the industry has to depend entirely upon private initiative for its development and when the policy of the Government is to control it, it would have been much better if this industry had been left without being taxed at least for some time more. I am not saying that it should not at all be taxed. I only say that it may be spared from this tax for some time more.

4-20
p.m.

[Sri K. Balasubramanya Ayyar] [22nd February 1955]

“ There is another matter which I would like to mention in this connection. So far as the imposition of the rates are concerned, there is a special provision in the Indian Income-tax Act that every year the rate should be fixed by the Legislature through an enactment. That is why we see the financial Acts are being passed from year to year. It would have been much better if this wholesome provision has also been incorporated in the Bill before the House, instead of making this a permanent tax. It would have been much better if there was a provision which allowed the Legislature or the Government to review the whole position from time to time and come before both the Houses of the Legislature every year with suitable Bills fixing the rates of the tax from time to time. This could have been done and would have been very well indeed. All the factors concerning the industry should be taken into consideration. For instance, we must see whether at a particular time the industry was suffering from keen competition in foreign markets or due to any other reason. If it was really suffering at that time, we could lower the taxation rates. If, on the other hand, we find that the industry was enjoying huge profits, we can raise the taxation rates. This is the first general principle which I want the Government to consider. This provision relating to the passing of annual Acts found in the Indian Income-tax Act could have been incorporated in the Bill under consideration with considerable advantage.

“ My next point is that the deductions that are allowed in the Indian Income-tax Act could have been followed in their entirety in our Bill. There are certain deductions so far as the plantations are concerned. These could have been incorporated here also. I do not want to go into the details of this matter. When we consider particular clauses, I would like to enumerate what further deductions are to be made so that the plantation industry may not be throttled. To mention only a few of the deductions made in the Indian Income-tax Act, I would like to refer to the deduction made for payment of some money to charitable and other purposes. There is no such provision in the present Bill. Then take the case of scientific research. So far as the plantation industry is concerned, whether it be tea, coffee, rubber or any other, a good deal of research is necessary for the purpose of expanding the industry and also for the purpose of seeing that the industry is efficiently and properly carried on. In this Bill, insurance premia are not allowed to be deducted. This is allowed in the Indian Income-tax Act. The life insurance premium in respect of the proprietor, his wife or members of his family is not taken into consideration here for purposes of deduction. As I said, these are only a few of the instances. When a taxation measure like the one under consideration is contemplated by the Government, all these factors must be taken into account. Then only the measure can be equitable and justifiable. When we consider particular clauses, I will go into the details of this aspect.

22nd February 1955] [Sri K. Balasubramanya Ayyar]

“ So far as the non-resident planters are concerned, they have plantations in the State but live outside the State. The present Bill says that they may have some agents here and that therefore they should be held jointly and severally liable with the non-residents. This is a very difficult matter, Sir. These agents are not the agents contemplated under the Indian Contract Act. There is a lot of difference. The agent defined in the Indian Contract Act is not the same person as the one defined in the Indian Income-tax Act. If the agent mentioned in the Bill is the same as the one defined in the Indian Contract Act, he may have recourse to indemnity against his proprietor and that may be reasonable. But it is not the case. Instead of making these agents jointly and severally responsible, it will be much better to recognize certain persons as agents for the purpose of this Act, viz., to serve notices, etc., and to collect the tax from the non-resident planters themselves. If this is done, it will be conducive to the proper working of the Act also. Otherwise, there will be difficulties in making the agent jointly and severally liable.

“ There is another important provision. It is said that the losses of the previous year alone will be carried over. (Interruption.) I am sure there is such a provision. I have looked into it. When we come to the particular clause, I will refer to it in greater detail.

“ So far as the joint family is concerned, the exemption limit is fixed at Rs. 6,000. In the Indian Income-tax Act, it is fixed at Rs. 8,700 and I would urge that this limit may be adopted so far as the plantations are concerned. So far as the exemption limit is concerned, it may be a little more than five acres. Some suggestions were made in the Assembly that in the case of tea, 10 acres might be fixed and so on. These are some of the matters on which the Bill could be improved. But as a general principle, I would like to make a fundamental point that so far as agricultural income-tax is concerned, the rates, etc., should be fixed by an annual Act instead of by a permanent taxation measure of this kind. This Bill could have been introduced after the Taxation Enquiry Commission, the special Plantation Enquiry Committee and the Government of India had made known their views on the present taxation structure in the country. If we have before us these three reports, we could have a better picture of the whole of the plantation industry. We would then be in a better position to judge whether a tax of this kind is just or equitable and will not cripple the resources of the plantation industry.”

* SRI K. BHASHYAM :—“ Mr. Deputy Chairman, Sir, I find some agreement at least between the Opposition and the Government in respect of the principle of the Bill. Income-tax is the most scientific and logical tax one could ever think of. I wish the land tax were abolished altogether because in all other countries, it is not the land that is taxed but it is the income from the land that is taxed. Income-tax on agricultural land is attempted for the first time in the Madras State and I welcome this measure

[Sri K. Bhashyam] [22nd February 1955]

in that sense. If the Government bring in another Bill very soon for taxing all agricultural incomes—whether from plantations or otherwise—and taking away the land tax, that would be the best thing that the Government can do. It will be very much to their good because the Government will not be charged of being partial in that they tax only income from plantations and not non-plantation agricultural income.

“ Then, Sir, there is this thing. The Bill that we are now passing may be slowly and naturally—and properly also to some extent—be extended to other incomes also from agriculture. When we do so, the provisions of this Bill will be taken as the basis for such a legislation and so, these provisions require careful and close examination. In that sense, I believe, the suggestions and remarks that we make on this Bill will be useful to the Government though I am sure they will not really be accepted now as the basis of amendments to the present Bill itself. The suggestions made by the hon. Member, Dr. John, also merit consideration and they may be helpful in drawing up any amending Bill to the measure that we are presently passing.

“ Sir, so far as the drafting of the Bill is concerned, it leaves very much to be desired. In fact, as has already been pointed out by many members, some provisions of the Indian Income-tax Act have been taken and incorporated in this Bill without carefully examining the implications of such provisions and without studying the decisions of the courts on some of the sections so incorporated. Some provisions from other Income-tax Acts like the Travancore-Cochin Act, the Bihar Act and the Bengal Act, have been adopted here without perhaps co-ordinating all these and subjecting them to close examination. I agree with the remarks made by the Deputy Leader of the Opposition on this point though some of the suggestions made by him were not quite good. This Bill must have been submitted for examination to a small committee of experts who could advise the Government as to how it should be drafted. At this stage, it is neither possible nor profitable to argue the several inconsistencies contained in the Bill. However, I do want to point out one or two defects that are noticed in the Bill so far as the incidence of taxation goes. For instance, there is a provision in clause 3 (3) relating to the charge of agricultural income-tax. Perhaps hon. Members may be interested in what I am going to say and I would request them to listen to me. The sub-clause says—

‘ In the case of persons holding property as tenants-in-common and deriving agricultural income, the tax shall be assessed at the rate applicable to the agricultural income of each tenant-in-common.’

When we apply the provisions of this sub-clause to a case covered by a latter clause—clause 29—we will notice the omission. Clause 29 deals with the question of assessment after partition of a Hindu undivided family, an Aliyasanthana family or branch or Marumakkattayam tarwad or tavazhi. This whole provision has been taken from the Indian Income-tax Act and the decision of

22nd February 1955] [Sri K. Bhashyam]

courts so far goes to show that it is not enough to enter into a partition deed or get into a partition arrangement. There must be a division by metes and bounds. That is the law at the present moment. When we study clause 29 in the light of this decision and take it to clause 3 which says each tenant-in-common will be assessed to income-tax separately, how are these two provisions to be reconciled? Clause 29 of course reads all right. But there are decisions of courts and of Commissioners of Income-tax which say that the section does not apply to cases where there is merely a partition deed and that it applies only to cases where the division is by metes and bounds and the property put in possession of various persons. How are these two provisions to be reconciled, I ask?

“ Then, Sir, take another case. ‘ Person ’ in the Bill is defined as ‘ any individual or association of individuals ’. What happens now is if there is a registered firm, it is the firm that is taxed and not each member thereof. Suppose there are two persons who are partners of a firm and one of them dies leaving minor children. The firm goes out of existence and the association comes in. Since according to the definition they are tenants-in-common, both can be taxed. These are some of the difficulties one will come across in the working of the Act. We know what the decisions of Courts on the Indian Income-tax Act are. I am afraid the Bill has been drafted without going into the very implications of these decisions.

“ Sir, I am only mentioning these points and it is not for me to argue these in this House. There are also other serious omissions in the Bill. According to the Bill, ‘ Principal Officer ’ used with reference to any company or association means—

(i) the Secretary, Treasurer, Manager or Agent of the company or association, or

(ii) any person connected with the company or association upon whom the Agricultural Income-tax Officer has served a notice of his intention of treating him as principal officer thereof.’ So, whoever the Income-tax Officer selects can be called the principal officer of the company. Suppose, there is a clerk who is working there. It is not as if he is concerned with the various branches of the company’s business. It is wrong to define the principal officer as such since even a clerk can be termed so. He is not responsible for submitting returns to the officer; he is not responsible for payment or income-tax; he does not operate on the bank account. For any possible non-compliance with the provisions of this Act, he is likely to be prosecuted. I hope the Government will look into these things and rectify them.

[Sri K. Bhashyam] [22nd February 1955]

"I am not able to understand what exactly is meant by clause 9 (1) of the Bill. I do not understand the meaning of saying, viz.,—

"In computing the total agricultural income of an assessee, all agricultural income arising to any person by virtue of a settlement or disposition, whether revocable or not, and whether effected before or after commencement of this Act, from assets remaining the property of the settlor or disponent shall be deemed to be the agricultural income, etc."

It is said that the property remaining with the settlor shall be determined. Suppose a person has given his property to another and if it is not revocable, then how are you going to assess the agricultural income? Therefore it is I say that, while the object of Government is clear, the drafting of the clause is bad and will defeat the very purpose of the measure.

"A general survey has been made by the Members of the Opposition as regards the necessity or otherwise of this Bill in this State. They said that the Government could have waited for some time more and that they need not have rushed in with this Bill when there was the Plantation Enquiry Committee which was studying the problem. The Plantation Enquiry Committee is concerned with the social welfare of the workers in plantations and with the economic condition of the workers in plantations. While I admit that in an indirect way, the economic position of the competency, I am clearly of the opinion that it is beyond the purview of the Plantation Enquiry Committee to suggest whether there should be agricultural income-tax on plantations or not. As regards the Economic Enquiry Committee, the Finance Minister has stated that the agricultural income-tax is one of the things favoured by the Committee though the report is not yet out.

"I think the exemptions granted are liberal indeed. The five-acre limit is a reasonable one. It has been suggested in the Select Committee that further concessions may be given for small landowners cultivating coffee and tea in their lands. I am sure Government will think about them and make proper provision in the rules which they would make under clause 61. Otherwise the exemptions granted are fairly generous. Somebody said that provision for 'capital expenditure' has not been made. I would like that hon. Member to look into clause 5 (g) (ii). In fact, it is provided for. Clause 5 (g) states—

"Expenses other than capital expenditure incurred in the previous year of cultivating the crop from which the agricultural income is derived and of transporting such crop to market, including the maintenance of agricultural implements and cattle required for such cultivation and transport or both :"

There is the proviso to clause 5 (g) which says—

"Provided that in any particular year the total replanting expenditure shall not exceed the amount necessary for replanting $2\frac{1}{2}$ per cent of the acreage if the crop is rubber or coffee, $1\frac{2}{3}$ per cent if the crop is tea and $8\frac{1}{3}$ per cent if the crop is cardamom and 10 per cent if the crop is cinchona."

I think objection could not be taken to the fixing of this percentage. I think enough provision has been made for replanting. I was not one of the witnesses examined. But, I think it was Mr. Pais

22nd February 1955] [Sri K. Bhashyam]

speaking for landlords, in the Select Committee who said that the percentage fixed for ' capital expenditure ' in this clause was a big figure incurred on replanting.

" I would like to say a word or two with regard to ' refund '. In the case of companies, it is the company that is taxed. In the case of a joint Hindu family, it is the joint family that is taxed. In the case of a firm, it is the firm that is taxed and not the individuals. Of course, individuals if they own property themselves and not jointly with others, they are taxed because they own the property. If a company is taxed, it is the aggregate of shareholders that are taxed and not each and every one separately. To the extent that a shareholder, if the company is taxed, has got to pay his share of the tax, there is an indirect bearing of the tax on the shareholder. But you have got to remember one principle in this taxation. The amount that is paid as dividend to the shareholder cannot be an agricultural income. The Supreme Court has held such a view. The tax is levied on the company and not on each shareholder. Suppose a shareholder receives Rs. 200 as a dividend and he has 20 or 30 acres. In computing the value of the income which he derives, the amount he got by way of dividend is not taken into account because the amount that is derived by way of dividend cannot be treated as agricultural income. Therefore, I say, the question whether refund should be made is quite unnecessary for the purpose of this Bill. If the shareholder has no land and if you say that the tax which as a shareholder he may likely have to pay should be refunded to him, that is perfectly legitimate. But to go further and say that each and every one should get refund, is, I think, going far beyond and I think that that is not justifiable. That is my point of view. The Supreme Court have held that any dividend received from a company which is engaged in agricultural operation is not agricultural income at all. They have come to that decision. Therefore, the question of refund does not arise.

" A difficulty may arise when refund is claimed for, say, ten years. The refund may be claimed according to the prescribed clauses 44 to 48. Then the difficulty from ' what date one should calculate the income ' may arise. But the Government are enforcing this measure only from April 1955. I think if any difficulty is experienced, they may bring in an amendment later.

" I would like to mention a serious mistake. In the Income-tax Act, the undetermined liability of the transferor is limited only to the year the transfer took place and the year previous to that. No such provision has been made here with regard to transfer of title on plantations. (Interruption.)

" Perhaps Dr. John is right and I am wrong. (Interruption.) I am not speaking on that. I am speaking of the claim to be made on the assessee. How far back can the claim go for this

[Sri K. Bhashyam] [22nd February 1955]

purpose? What I have been talking on is something different. I am on the subject of transfer and succession. The proviso to clause 23 reads—

‘ Provided that when the transferor cannot be found, the assessment of such agricultural income of the previous year in which the transfer took place up to the date of the transfer and for the years preceding that year shall be made on the transferee in like manner and to the same amount as it would have been made on the transferor’

This does not specify the number of years. That is the difficulty. In clause 28, there is some improvement. It says—

‘ (1) Where, at the time of making an assessment under section 17, it is found that a change has occurred in the constitution of a firm or that a firm has been newly constituted, the assessment shall be made on the firm as constituted at the time of making the assessment.

‘ (2) Where a person carrying on any business in the course of which agricultural income is received has been succeeded in such capacity by another person, such person and such other person shall each be assessed in respect of his actual share of the agricultural income of the previous year :

Provided that, when the person succeeded in the business cannot be found, the assessment of the agricultural income of the year in which the succession took place up to the date of succession, and for the year preceding that year shall be made on the person succeeding him in like manner’

In the case of succession to property by the ordinary law of inheritance, the person is liable to pay only that amount that has to be paid for the year and he has also to pay the amount for one year previous to that. In the case of assessment on transfer, there is no such limitation prescribed. The person is not only liable for the broken period but also for the previous year and years. I do not know for how many years he will have to pay. These are all matters to be discussed fully at the second reading stage of the Bill. I did not think it worth while to put all my ideas in the form of amendments, because they are not going to do any good now. I have in view many amendments to make clear some of the provisions of this Bill. The Government would accept them if they are not in a hurry to pass this Bill. I conclude by saying that, while I agree with a number of provisions in this Bill, I see there are certain clauses which require improvement not only in drafting but also in substance.

“ Sir, in this matter, we have to face trouble from our household. We are all persons addicted to coffee. We drink coffee in the morning, in the evening, and perhaps in the night also.”

SRI A. M. ALLAPICHAJ :—“ I take tea.”

* SRI K. BHASHYAM :—“ Tea comes to the same thing. We have to consider whether this tax will not tend to increase the prices of coffee and tea. This is a question we have to answer in our household. I do not know how the Hon. the Minister for Agriculture will answer if he is put this question in his house. (Sri T. Purushotham : ‘ He does not take coffee.’) Otherwise he would have felt the difficulty. The levy is only five and a half annas. But the so-called merchants and others will take

22nd February 1955] [Sri K. Bhashyam]

advantage of this tax for the purpose of raising the price of coffee thrice. They may increase the price very much. To-morrow, it will be said that prices have gone up because of this tax. Sir, I think the Government will be incurring the odium and unpopularity of the people by pushing through this Bill at the present moment. I would caution this Government to think about this tax many times before they push through this Bill and bring it into force. After all, the Government live by votes. This question of votes and incurring the unpopularity of the people has to be considered. The Government may be generous enough to say 'we shall see what happens later on'. While the Government may be all right, the followers of the Government will have to face their electorate and explain to them why they supported the Government on this measure. How can they answer their electorate? While I agree with the principle of the Bill, I think it requires considerable improvement before it is made acceptable to all. In drafting and also in substance, the Bill requires improvement. Apart from the Government, I congratulate the Minister on bringing forward this Bill. The Government have started the question of levying an income-tax on agricultural income. I hope this tax will be extended further to all other income from agriculture and that the land tax will be abolished."

DR. A. LAKSHMANASWAMI MUDALIYAR:—"Sir, I crave your indulgence to make a representation on behalf of those sitting on this side of the House. Feelings have been running high in your absence and I am sure you will be the first to take cognisance of any representation that may be made. I am sure that you will see that justice is done to all. We have complete confidence in you. Therefore, I make this representation.

"My hon. Colleague Mr. Balasubramanya Ayyar has already referred to the fact that it has become more or less a custom here for the Government to seek to introduce Bills or to give notice of their intention to introduce Bills even before the other House has passed the Bills in question. It is well within your competence to direct that any motion can be set down in the list of business for any day even if there is no notice of the usual three days. We readily accept your authority. But we plead with you that when important Bills are passed in the other House late in the night, we have hardly any chance of preparing ourselves to contribute anything useful here the next day. Because, we are seriously handicapped for want of sufficient knowledge of what has taken place in the other House. I know that Hon. Ministers will say that the two Houses are now meeting at different hours and that hon. Members of this House are expected to be in the other House to listen to the debates there. What actually happens . . . (Interruption by Sri K. Bhashyam.) I am glad that the Hon. the Leader of the House has accepted our suggestion that the two Houses should meet at different hours of the day. When a Bill is presented to us, it does require some

[Dr. A. Lakshmanaswami Mudaliyar] [22nd February 1955]

time to consider what the measure is, what are the amendments recommended, and whether support cannot be given to the Government in the light of the discussions that took place in the other House. I chanced to go through a copy of the report of the Select Committee on this Bill through the courtesy of the Secretary to the Council. As a matter of fact, this Bill, as passed by the Assembly, was presented to us this morning at 8 o'clock by a special messenger. The point that I wish to state is that the Select Committee on this Bill reported as far back as 30th November. The Government had enough time to introduce, at any stage, this important Bill between 30th November and now. Therefore, I appeal to you, Sir, that in such cases it should be possible for the Government to introduce it in such a manner that this House will have an effective voice in the debate, after discussion with the Members of the Assembly and after taking note of the amendments that have been moved. I would have even gone further to suggest that the practice in the House of Commons, namely, making available to Members the proceedings of the House of Commons within 24 hours of the meeting, be adopted here. That is the rule in the House of Commons. But here,

5 p.m. on account of various factors, it is not possible. I do feel that some consideration may be given. After all, this is not an urgent Bill. This is not a Bill intended to supersede an Ordinance or anything like that. The ordinary time-limit, I beg to submit, may be given in future unless we feel otherwise. We have just received a notice as to what is to happen here to-morrow. The Madras Indebted Agriculturists (Repayment of Debts) Bill has been put in to-morrow's agenda for consideration by this House. It is stated in to-morrow's agenda that the Hon. Minister for Land Revenue will move that this Bill as passed by the Assembly may be taken into consideration. Supposing this Bill is not passed to-night by the Assembly, I wonder what would happen to the agenda already circulated to hon. Members of this House. After all, it may be said that only subject to the passing of the Bill by the Assembly, we can consider it here. But whatever it is, when the agenda for a particular day is sent to hon. Members, I think it must be on the basis that a particular item will be taken up for consideration. The time factor should also be taken into consideration. Sir, I do not want to elaborate it any further. I am sure you will be gracious enough to give due consideration to the views expressed by hon. Members sitting on this side of the House and will, in co-operation with the Government, see that we have a reasonable chance of contributing something which may be effective. So long as we are allowed to exist as a Council, it is but proper that we have a reasonable chance of contributing effectively to the debates that may take place here. We do not want to hamper the progress of any of the legislative programmes of the Government. But I do feel that if only they take into consideration the time factor also, it will enable them to introduce less number of legislative measures. I wish to touch upon this subject in my speech during the budget discussion. Many of the

22nd February 1955] [Dr. A. Lakshmanaswami Mudaliyar]

hopes have not come into fruition with reference to a number of Bills that have been passed. I have got four volumes with me and the fifth volume is also getting ready. I would like to quote many instances on this subject and I propose to do it when I speak on the Budget. That apart, the feelings of hon. Members of this House will be greatly assuaged if you will give us some assurance in this matter, Sir."

* THE HON. SRI M. BHAKTAVATSALAM :—" Mr. Chairman, I want the Hon. Leader of the Opposition and other hon. Members of this House to appreciate the circumstances under which we are anxious that the Indebted Agriculturists (Repayment of Debts) Bill should be passed into law before the end of this month. The Moratorium Act is there and its life has been extended up to the end of this month. Unless this Bill is passed into law before the end of this month, the purpose of this legislation will totally fail. Further, I may point out that at the time when this Bill was referred to a Joint Select Committee, the Bill was discussed thoroughly in this House. A Joint Select Committee was also constituted. It met for two days. Its report has also been submitted. Of course, we are anxious that the Bill must be passed into law before the end of this month. At the same time, we do not want to curtail the discussion in this House. We know that it may take even two days for the House to consider this Bill, one day for the first reading and the second day for the second and third readings. That is why we have adopted this procedure of anticipating the passing of the Bill in the Lower House and put it in to-morrow's agenda for the Council."

DR. V. K. JOHN :—" May I enquire when we have to send our amendments to the Bill that we are at present discussing, viz., the Plantations Agricultural Income-tax Bill? Usually three days' time is given for sending in our amendments. Unless some reasonable time is given, it will be very difficult for us to produce amendments at a moment's notice. I would like to have clarification on this point also, Sir."

MR. CHAIRMAN :—" I am glad about the discussion on this subject. Unless there is some special reason, I am sure time is always given to hon. Members to study the Bills and send in their amendments. The Hon. the Leader of the House has just now explained that the Government are anxious to get the Indebted Agriculturists (Repayment of Debts) Bill passed before the end of this month. That is the reason why that Bill has been placed in to-morrow's agenda. I may assure hon. Members that hereafter every consideration will be given to them so that they may have enough time to study the Bill, digest it and send in their amendments, if any, in proper time. I do agree that hon. Members have a reason to complain. At the same time the

[Mr. Chairman] [22nd February 1955]

Government also have a reason and have explained it. In future I will see that as far as possible the programme is adjusted to the satisfaction of everyone concerned."

SRI MOHAMED RAZA KHAN :—" What about the Business Advisory Committee, Sir? May I know when it will start functioning? "

MR. CHAIRMAN :—" The Business Advisory Committee will start functioning as early as possible. But, I may inform the hon. Member that it is somewhat difficult to arrange the business of the Council as it can be seen now."

DR. V. K. JOHN :—" Sir, what about giving us some time to table amendments to the Plantations Agricultural Income-tax Bill? As I said, usually three days' time is given. It is very difficult for us to send in our amendments within a short time."

MR. CHAIRMAN :—" I think Dr. John will remember that amendments which were sent in within a shorter time were all considered."

DR. V. K. JOHN :—" I can understand it if it was an urgent Bill. It may be all right in the case of the Indebted Agriculturists (Repayment of Debts) Bill."

* THE HON. SRI M. BHAKTAVATSALAM :—" May I suggest a *via media*? The Indebted Agriculturists (Repayment of Debts) Bill may be considered to-morrow. We may conclude the first reading on the Plantations Agricultural Income-tax Bill to-day and take it up again day after to-morrow for the clause by clause consideration. Meanwhile, we may extend the time for receipt of amendments till to-morrow afternoon."

MR. CHAIRMAN :—" Does the Hon. the Leader of the House want that the Plantations Agricultural Income-tax Bill be taken up day after to-morrow? "

* THE HON. SRI M. BHAKTAVATSALAM :—" I suggest that we may sit till 5-30 to-day and finish off the general discussion on the Bill. We may take it up again day after to-morrow for further consideration."

MR. CHAIRMAN :—" Then, there will be enough time for hon. Members to send in their amendments."

DR. A. LAKSHMANASWAMI MUDALIYAR :—" In view of what the Hon. Leader of the House has said, I agree to the suggestion. As I said, it is not our object to obstruct any of the legislative measures that may be brought forward here. I only explained the real difficulty which we were experiencing in the matter. Now, we are thankful to you, Sir, for the assurance that you have given."

MR. CHAIRMAN :—" So, we sit till 5-30. Sri G. Krishna-moorthi may now speak."

22nd February 1955]

* SRI G. KRISHNAMOORTHY :—“ Mr. Chairman, I agree with many of the points and especially the last one, put forward by the hon. Member Sri K. Bhashyam with regard to this Bill. I would like the Hon. Minister who is piloting this Bill to tell us what steps the Government intend taking along with the Central Government to see that the prices of coffee and tea do not go up. Nobody can object to the principle underlying this Bill. Government always go in for new taxes in order to get revenue. The principle on which any taxation proposal is to be based is this. As far as possible, the Government should try to tax the very rich people, get the money realised by way of this tax and help the very poor and downtrodden. This principle has not been adopted so far as this Bill is concerned. The exemption limit given is very low. They have fixed 5 acres in the case of tea and 15 acres in the case of coffee, etc., for the purpose of exemption. This limit should be raised. When the Government have been so sympathetic towards big planters and have come forward to give up super tax, will it be too much for me to request them to extend the same sympathy towards the small planters also? The exemption limit may be raised to 15 acres in the case of tea and 60 acres in the case of coffee, etc.

“ Sir, the next point put forward by Sri K. Bhashyam is with regard to extension of this measure. It deserves careful consideration at the hands of the Government. There is a fear among agriculturists that this Bill will form the basis for a further Bill to extend agricultural income-tax in respect of all agricultural lands other than plantations also. Sir, we would like to have an assurance from the Government that this measure will not form the basis of a future enactment to extend it to other agricultural lands also. I wish to point out that plantations stand on quite a different footing from other agricultural lands such as paddy lands and so on. In the case of plantations after the first three or four years, we have a permanent crop living for thirty or forty years. In the case of wet and dry lands, we have to cultivate not only every year but possibly every season. So, it is not proper to have this measure as the basis of any future enactment to extend it to other agricultural lands.

5-10
p.m.

“ Sir, as the hon. Member, Mr. Bhashyam said if the Government think of extending this tax to the other branches of agriculture as well, they must give a guarantee that they will do away with land tax. It is now admitted on all lands that agricultural income-tax is based on a sound rationale that the agriculturist pays tax only if he gets income from his lands. It should not be imposed on the agriculturist over and above the land tax that is already paid by him. Therefore, the Government must give a guarantee that land tax will not be there if this Act is extended to the other sectors of agriculture also, since it will work great hardship on the agriculturists if both are there.

[Sri G. Krishnamoorthi] [22nd February 1955]

“ If a person owning ten acres of wet lands is subjected to agricultural income-tax also under provisions similar to those contained in this Bill, then he may have to pay at nine pies in the rupee on the first taxable Rs. 1,500 about twenty-five rupees. This is in addition to the Rs. 200 he is already paying as land tax. This is a point which we should consider. The Government should never think of an agricultural income-tax in addition to the land tax.”

* SRI A. GAJAPATHY NAYAGAR :—“ Sir, I congratulate the Hon. the Minister for Land Revenue on taking courage in his hands to bring forward this Bill. I say this Bill is long overdue. We know how the plantations grew in our land. Some European landed on the Madras Coast. He applied to the Collector and got some thousands of acres of land on some hill. He got a lot of credit in the bank. So the plantations grew. Our kanganis came forward to recruit cheap labour for him. Thus, we see to-day, an acre of land under tea or coffee yields five hundred rupees and the yield is equal to that from the best nanja land in any deltaic area. I ask, what is the harm in taxing income from a land which yields nearly five hundred rupees? If there are difficulties in the matter of application of the provisions of the Act and if there are difficulties in collecting the tax properly, we shall seek remedies for them one by one as they arise. I find that in the Legislative Assembly, the Bill was passed without any Member opposing it. I hope we shall also pass it unanimously. But I am sorry that time was not allowed to us to go through the Bill in detail. In fact, all the facts that I know now of the Bill I could get only after coming here and listening to the speeches made by hon. Members on the Bill. Therefore some time must be given to us to understand the Bill so that we can suggest what improvements are needed. I see there has been very great hurry about this. All the same, we welcome the principle of the Bill, and if there are any difficulties, we will co-operate with the Government in removing them.”

SRI MOHAMED RAZA KHAN :—“ Sir, I want to say just a few words on the Bill, especially after hearing the speech of my colleague sitting to my left who has just now spoken. I could claim to know something about the plantation industry because I was myself once a planter. If the industry had been so good, my friend, Mr. Gajapathy Nayagar would not have turned an advocate but become a planter himself. (Laughter.) Things are not so easy. It requires much money, skill and labour and even with all these, it is just a matter of luck. One sees to-day that a planter is making money. But at what cost in the initial stages? He went to malaria-ridden places on hill tops and by dint of hard labour over ten or fifteen years, converted those places into fine plantations. Now he gets some money, no doubt. But that is a different matter,

22nd February 1955] [Sri Mohamed Raza Khan]

" We know, Sir, every time the Budget was presented and the Hon. the Finance Minister mentioned new measures of taxation to cover up deficits in the Budgets, hon. Members jumped up and said : ' Why do you have these measures of taxation which will kill the poor? Why not you tax the planters? ' Both Members of the Opposition and also those of the party in power joined together in making this demand. The Government of Madras have now acceded to the demand made by the Members of the Legislature. Now, Sir, as regards the principle underlying the Bill, there is something to be said in favour of the Bill itself. I think it would have been much better if the Hon. the Minister for Land Revenue had given us an idea of the receipts expected from this source. He has got his departmental people to work out figures. Of course, he cannot give correct figures. Approximate figures would have sufficed. I wish he had been in a position to give us an approximate estimate of receipts expected under this head.

" Then, Sir, the second point is this. I would like to know how far this Bill will help to develop the plantation industry in future. For the last three or four years, to my knowledge, there has been no incentive provided to the planters to bring under cultivation lands which are not under cultivation now. Whatever area was planted some three or four or five decades ago remains the same and nothing new has been added. I would like to know from the Hon. Minister categorically whether this Bill will create any incentive for them to develop the industry or it will retard its progress in future. I would also like to know how far it will affect our export trade. I may tell the House that in certain fields, our country, and particularly our State, cannot compete with others in the matter of exports. Let us take, for instance, rubber. The Hon. Minister will be aware that ten or fifteen years ago, just at the beginning of the war, a situation arose in the rubber industry when rubber planters could not even get back the cost of production. So, Sir, I would like to know how far this Bill will affect our export trade. These are some of the points on which we want detailed information so that we may properly assess the merits of the Bill and suggest amendments to the clauses at the appropriate time. I thank you, Sir, here for the extension of time you have allowed for giving notice of amendments.

" The next point is this. What is the check the Government have in regard to suppression of stocks? Are the Government to depend only on the returns submitted by the companies and individual owners of plantations? The very nature of business is such that receipts depend upon the stocks available for disposal. Suppose there is a suppression of stocks and they say only so much quantity of coffee, tea and rubber was sold. We must believe it. The only provision we have here is, if there is any doubt on the part of the Government, they will take the production in the neighbouring area for the purpose of calculating the

[Sri Mohamed Raza Khan] [22nd February 1955]

production in the area concerned. I may tell the House this will not do any good to anyone. It always happens that the yield in a plantation varies from acre to acre. The yield is different. The age of the trees is different. The fertility of the soil varies.

5-20
p.m.

“ In conclusion, I may say as was said by the Leader of the Opposition that the Government of Madras should feel very happy because they have established a record in the matter of legislation and especially legislation in regard to taxation measures. There are a number of Bills coming up everyday with the result we are not able to concentrate on all and we do not know on which we could concentrate. The Hon. Finance Minister is not here. I should say that both the Hon. Finance Minister and the Hon. Revenue Minister ought to be congratulated on the record they have established particularly this year in the field of taxation. Everybody is looking to the Government of Madras for a lead. They look to Madras for guidance and help. Well, Madras has done the maximum possible. We have had the maximum of taxation measures particularly this year. Why I say this is because at least in future the Government might be a little careful and wait and carefully find out whether our people are in a position to bear any more taxation. If by all means our people are better off and could bear any additional taxation, then we will not grudge Government bringing in taxation measures, for after all ours is a Welfare State and in a Welfare State the money derived from taxation is spent on other welfare schemes for the benefit of the people. But we should know beforehand whether that taxation will retard our progress. Our taxation measures are increasing. I am afraid that the law of diminishing returns will set in and the Government will get less than what they propose to get by any taxation measure in future.”

* THE HON. SRI M. A. MANICKAVELU NAICKER :—

“ Mr. Chairman, I think with the solitary exception of the hon. Member representing teachers, all other hon. Members who took part in the debate are lawyers. That means one has to follow their speeches rather carefully and cautiously. *The Hon. Deputy Leader of the Opposition, as usual, made an elaborate survey of the whole subject and also the allied subjects and traversed many countries including America. He said that the principle of taxing the income was good and that he welcomed it. But finally he ended by saying that Government should wait for the report of the Taxation Enquiry Commission and that this period was not the opportune for pushing through the Bill. For theoretical purposes as the principle of taxing the income was good, he welcomed it. Then coming to the practical side of it, for various reasons best known only to himself, he said this was not the opportune time for passing this Bill. He wanted that this Bill should follow more closely the Indian Income-tax Act. We have tried to follow as far as we can the Indian Income-tax Act. But it does not mean that we should follow it in each and

22nd February 1955 [Sri M. A. Manickavelu Naicker]

every detail. The scheme of this Bill is different from that of the Indian Income-tax Act. In the Indian Income-tax Act they levy what is called the 'corporation tax' and now the tendency is to raise it more and more so that that tax when collected may not be dealt with on the basis of a share being given to the States concerned. That is why the tendency is to encourage the corporation tax. He then referred to the question of 'refund'. The difficulty in giving refund was explained by Mr. Bhashyam. As was pointed out by Mr. Bhashyam, we cannot pursue the income when it leaves the hands of persons as dividends because that cannot be considered as agricultural income. So when a dividend is declared and it goes to the hands of an individual, we cannot treat it as agricultural income. We have to give it up. So in the Select Committee, it was decided not to levy the 'super tax'. Having given up the 'super-tax', we did not want to levy the 'super-tax' only on companies. We did not want to make any invidious distinction. Originally the highest rate was Re. 0-4-0, besides super-tax. Now super-tax is not there. We have made it a flat rate of Re. 0-5-6 in the rupee, as we cannot pursue the income when it changes as dividend. The Hon. Deputy Leader of the Opposition also said that all that he said was not for the present but only for our future conduct. So in that light I think he does not insist that everything he said to-day should be taken very seriously just now and translated into action but only to bear that in mind in future. That is what Mr. Bhashyam also said. Government will bear all the valuable suggestions offered and whenever they come here with further proposals of taxation or when they bring in any other Bill, they will keep all those suggestions in mind.

"It was asked as to why we should hurry like this and as to why we could not have waited for the report of the Taxation Enquiry Commission. No doubt one could have waited for that report. But one thing was clear, viz., whatever report it may make, we had an inkling that the Taxation Enquiry Commission was not disinclined to this taxation. So we have proceeded forthwith.

"It was said that no provision was made for replanting and other purposes. Clause 5 enumerates a number of categories for which provision has been made and one category is as regards replanting. Ample provision is made for insurance payment, bonus, capital depreciation and so many other things. In fact great objection was taken in the other House that we have made too much allowance for these things and that we have walked into the parlour of the planters.

"As regards exemption, some hon. Members had asked as to why further exemption need not be granted. If I now give an idea as to how the present exemption will work, I think all hon. Members will be satisfied that what we have now provided for is more than sufficient. Out of a total of 18,960 persons who

[Sri M. A. Manickavelu Naicker] [22nd February 1955]

are assesseees (or planters, whatever it is), 17,410 are now exempted. They go scot free. Nine hundred and twenty-seven persons only come under the compounding clause and need not keep any accounts to check. Only 623 persons are subject to this taxation. Therefore the present exemption has been very liberal. A very large number of people have been exempted. I do not see any reason for further exemption being given in that respect.

“As regards profit that is made from plantations, I may also give some figures, which will make hon. Members look up. I have got figures of certain companies. The dividend that has been declared ranges from 5 per cent or 6 per cent to 17½ per cent and 22½ per cent. The amount that is earmarked for reserve fund is in one case Rs. 1 lakh, in another case Rs. 1½ lakhs and in one case Rs. 4 lakhs. So it is clear that the industry or plantation business is making good profit. No doubt now and then there was depression and the industry was in a bad way. But recently it has retrieved, and even the people concerned have almost agreed with the provisions that we have made. One hon. Member wanted to know what the income was likely to be from this taxation measure. I cannot give any accurate figure now, but from what I say he can draw his own inference. In the beginning we thought we might get Rs. 15 lakhs or Rs. 20 lakhs out of this. But now we find that we may get about Rs. 75 lakhs. When I look at this great disparity, I think it is better that I do not say anything definite now. Let him draw his own inference. It will be a handsome figure; that too after so leniently dealing with the industry. I have taken great care to see that the goose that lays the golden egg is not killed. We do not want to kill this industry.

“One hon. Member said that the industry was suffering from keen competition. That is true not only in our country but all over the world, e.g., Malaya, America, Africa, and other countries think that this a gold mine and want to take to this industry. We must be so very cautious in this matter. If we are too hard and rigid, we will be driving out this trade to some other country. That will not be in the interests of our country. We must be very careful and proceed cautiously. That is why, Sir, even though some hon. Members in the other House were very anxious to raise the rate of tax by means of amendments to the Bill, the Government were not anxious to accept them. Those amendments were moved with some other object. So we said ‘We do not want to kill the industry’ and that we would not accept the amendments. I realize, Sir, there are certain defects and drawbacks in drafting. Because all are very well trained lawyers in this House they are able to see the defects. As far as possible, we shall try to remove the defects. Even if it is not possible to remove them at this stage at one sitting, if essential, no one prevents us from bringing forward the necessary legislation to remove them. There is no difficulty about that now.”

5.30
p.m.

22nd February 1955] [Sri M. A. Manickavelu Naicker]

“ I hope this House will pass the motion, Sir.”

MR. CHAIRMAN :—“ The question is—

‘ That the Madras Plantations Agricultural Income-tax Bill, 1954 (L.A. Bill No. 30 of 1954), as passed by the Assembly, be taken into consideration.’ ”

The motion was carried.

MR. CHAIRMAN :—“ I now adjourn the House to meet again at 3 p.m. to-morrow.”

The House then adjourned.

